

Confidence dips but continues to fly

As the year draws to a close, it's time to think back and then look forward. It's what we do, at this time of year. This year, perhaps more than any other, the economic view differs depending on the perspective. From the inside looking out, we can all be grateful that the financial gloom in the West did little to dampen the progress that was achieved. Secure in its capacity to keep the internal combustion engine pumping on all cylinders, the consumer economy remained on track and continued to bolster the nation's Gross Domestic Product. From the outside looking in, Indonesia has enjoyed enviable stability in these otherwise troubled times. More importantly, it looks set to continue up that path well into 2012.

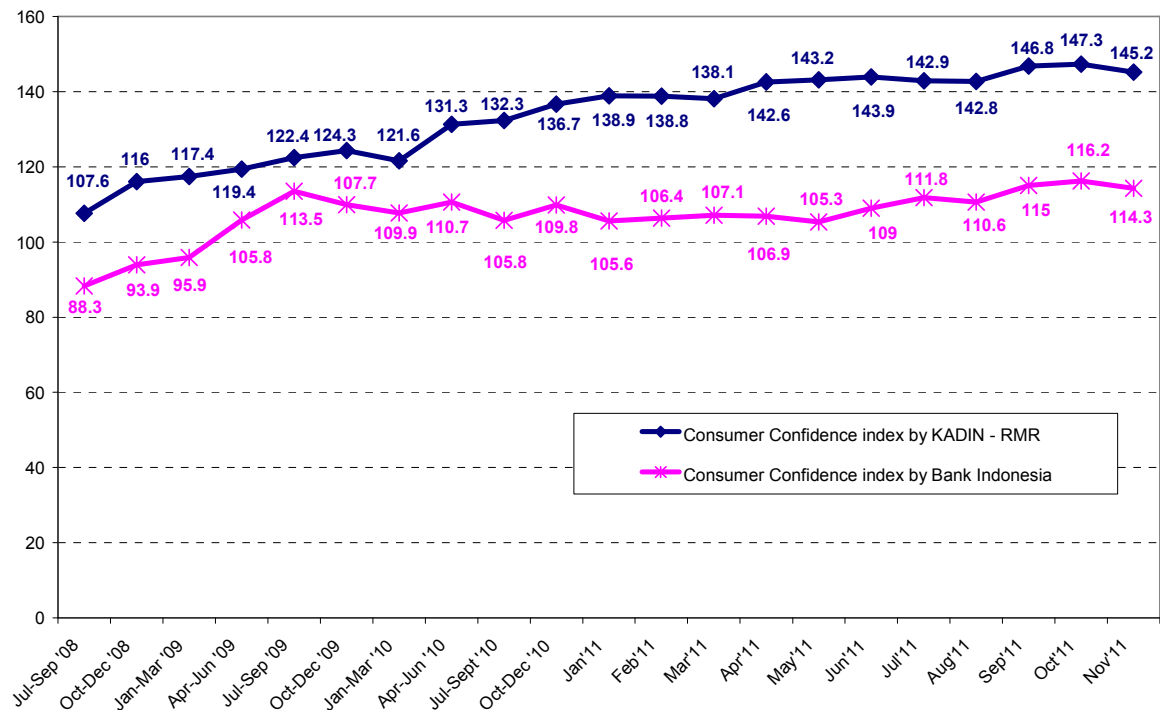
A key pillar of that belief rests on the consistently high scores registered by the KADIN-Roy Morgan Consumer Confidence index. At 145.2, down 2.1 points in November from a record high in October, the index is still 8.5pts higher than it was a year ago in the October - December quarter of 2010. Against the backdrop of a troubled world, these are bullish expressions of a community ready and willing to spend, to keep the engine chugging along.

"It had to happen. The KADIN-Roy Morgan Consumer Confidence index finally went down in November, but only by 2 points" said Suryo Sulisto, Chairman of KADIN, Indonesia's Chambers of Commerce. "Despite the slight dip, the index remains at amazingly high levels. It is still cruising at a world-beating 145 points. There are no real factors in the domestic arena that could have had a major impact on the national mood. In fact, people continue to believe their family's financial situation will be even better in the future than it is now. This is an endorsement of the Indonesian consumer economy. But the dark clouds hovering over Europe are talked about almost every day on all media, with news bulletins beginning to take their toll on the national psyche. All the more reason for Indonesian enterprises to renew their commitment to the local workforce, the local consumer" he urged the business community.

Though there were small drops in four components of the survey, family expectations about their financial situation continued to strengthen. Up yet another 2 points at the end of November, 57 percent of Indonesians expect their family to be 'better off' financially this time next year. This is a record high compared to only 2 percent, down another 2 points, who expect to be 'worse off' financially, a record low. In terms of personal finances today, now 38 percent of Indonesians say their family is 'better off' than a year ago, remaining equal to the record high. This compares favourably to just 12 percent, up 1 point, who say their family is 'worse off' now than a year ago.

In terms of their short-term outlook for the economy, now 80 percent of Indonesians expect the country as a whole will continue to enjoy 'good times' financially during the next 12 months. This indicator is down 3 points from the previous month of October. It isn't too difficult to see how all news of the gloom and doom in the West is beginning to give some city-folk the jitters. They are usually the most reactive to international news. They will have contributed to the 2-point dip among those who think we'll have 'bad times' financially, now at 19 percent. An overwhelming 88 percent of Indonesians expect the country will have 'good times' economically over the next five years compared, down 2 points. A majority of Indonesians at 52 percent continue to believe 'now is a good time to buy' major household items. They far outweigh the 44 percent, up 2 points, who say 'now is a bad time to buy'.

KADIN-ROY MORGAN AND BI INDICES BOTH REMAIN STRONG



While the spectre of downgrades in credit ratings loom across Europe, Indonesia is bucking the trend and recouping ground lost in the aftermath of the Asian currency collapse. This can only augur well for further economic growth as overseas investors concerned with the prospect of putting too many more eggs in the same Chinese or Indian baskets, look for alternatives elsewhere. With Asia pulling the global economy forward and with Indonesia continuing to strengthen trade within the neighbourhood, it is increasingly becoming an even safer bet. Within ASEAN, Indonesia is poised to further consolidate its position of leadership in the year ahead, outpacing its fellow members as it pushes forward.

Blessed with natural resources for essential exports on the one hand and a large increasingly self-reliant consumer economy on the other, Indonesia has earned its rank in the G20. If stronger political leadership brought about greater economic reform, if endemic corruption was arrested and public funds deployed to the development of infrastructure, the achievable results for this young and vibrant democracy are limitless. Why does that small wish-list look so daunting?

The monthly KADIN-Roy Morgan Indonesian Consumer Confidence Rating is based on 2,088 face-to-face interviews conducted throughout Indonesia in the month of November. The survey includes the Top 21 cities, smaller cities and towns as well as many more villages in the rural hinterland, reflecting all of Indonesia. Despite the differences in geographic coverage, the results are often similar to the study conducted by Bank Indonesia, as illustrated in November. Men and women aged 14 and over were randomly selected during the month of November 2011 for the KADIN-Roy Morgan survey.

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